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MANGEL STORES CORPORATION

AND SUBSIDIARIES

ANNUAL REPORT
FOR THE FISCAL YEAR
ENDED JANUARY 31, 1955

COMPARISONS OF FINANCIAL AND STATISTICAL DATA

Year Ended	Number of Stores	Net Sales	Net Working Capital	Provision for Federal Taxes	Net Income after Federal Taxes	Earnings Per Common Share
Jan. 31, 1955	117	$27,564,670	$6,639,776	$468,000	$890,214	$3.52
Jan. 31, 1954	117	28,491,478	6,542,994	559,442	856,953	3.38
Jan. 31, 1953	114	29,013,922	6,016,572	403,102	757,998	2.99
Jan. 31, 1952	117	29,116,235	6,108,845	376,952	743,721	2.90
Jan. 31, 1951	115*	25,635,310	4,394,366	413,764	615,404	2.40
Dec. 31, 1949	89	25,668,102	4,046,309	231,190	544,994	2.12
Dec. 31, 1948	89	27,081,382	3,373,724	559,369	993,596	3.87

**Includes acquisition of 26 stores in September 1950.*

March 28, 1955

To the Stockholders of

MANGEL STORES CORPORATION:

There are presented herewith the Consolidated Balance Sheet as at January 31, 1955 and the related Consolidated Statements of Income and Surplus for the year then ended.

Net sales for the fiscal year ended January 31, 1955 totaled $27,564,670 which compares with sales for the prior year of $28,491,478.

Net income after Federal Taxes for the fiscal year ended January 31, 1955 was $890,214 or $3.52 per share compared with $856,953 or $3.38 per share for the previous fiscal year. Improved merchandising and operational economies accounted largely for the increased earnings.

Regular quarterly dividends of 25¢ per share were continued during the year and an extra year end dividend of 25¢ per share was paid.

Several unprofitable stores were closed and new units were opened during the year and at the end of the fiscal year the Company operated 117 stores, the same number as in operation at the close of the previous year. Since the close of the last fiscal year 4 new stores have been opened.

In February 1955 your Company contracted for the purchase of a six story building in New York City where it plans eventually to house under one roof its executive offices, buying, warehousing and other merchandising facilities. It is expected that this move will result in more efficient and economical Home Office operations.

The financial condition of your Company remains strong and notwithstanding the highly competitive condition which still prevails in our industry your Management through aggressive merchandising and a close watch upon operational costs will do everything possible to assure a continuation of the Company's successful operation.

Respectfully submitted,

SOL MANGEL,

President

MANGEL STORE

AND SUBS

CONSOLIDATED BALANCE SHE

ASSETS

CURRENT ASSETS:		
Cash		$ 1,200,535.72
United States Government securities — at cost, plus accrued interest — Note D	$1,549,116.49	
Less: Amount applied as a reduction of reserve for Federal taxes on income — per contra	545,975.13	1,003,141.36
Accounts receivable — trade, less reserve		2,527,242.63
Miscellaneous accounts receivable, including current installments of a mortgage receivable		44,298.97
Merchandise inventory — at the lower of cost or market, based upon the retail method of inventory valuation	3,139,161.41	
Merchandise in transit — at cost	107,437.32	3,246,598.73
TOTAL CURRENT ASSETS		8,021,817.41
OTHER ASSETS:		
Mortgages receivable, less current installments of $5,113.91 included above	379,886.09	
Deposits and miscellaneous receivables	19,503.45	399,389.54
FIXED ASSETS:		
Real estate (at values as appraised for the management in June 1932 with subsequent additions at cost) — subject, in part, to mortgages — per contra	$ 631,364.94	
Less: Reserve for depreciation	74,632.91	556,732.03
Furniture, fixtures and leasehold improvements — at cost	6,500,690.82	
Less: Reserves for depreciation and amortization	3,241,221.56	3,259,469.26	3,816,201.29
DEFERRED CHARGES:		
Unexpired insurance	125,697.64	
Prepaid taxes, expenses, etc	373,265.26	498,962.90
GOODWILL		1.00
		$12,736,372.14

The Notes to Accounts are an integral part of this

NOTES TO ACCOUNTS

Note A — Under loan agreements dated March 1, 1949, September 15, 1950 and October 25, 1951, loans aggregating $4,000,000.00 were obtained from The Prudential Insurance Company of America evidenced by promissory notes. At January 31, 1955 the balances of the loans amounted to $1,634,000.00 maturing in 1961 and $1,250,000.00 maturing in 1966. The agreements applicable to the loans maturing in 1961 provide for semi-annual prepayments of $83,500.00 until maturity; the other loan provides for semiannual prepayments of $50,000.00 until maturity. The notes bear interest at the rate of 3⅞%, 3¼% and 4% per annum.

The loan agreements contain certain restrictions which limit the payment of dividends (except stock dividends), the net reduction of capital stock and the amount of certain investments to 70% of consolidated net earnings subsequent to January 31, 1951, plus $250,000.00. As at January 31, 1955 the amount of $1,319,210.53 was not subject to these restrictions.

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SIDIARIES

ET AS AT JANUARY 31, 1955

LIABILITIES

CURRENT LIABILITIES:			
Notes payable — The Prudential Insurance Company of America — current installments — Note A			$ 267,000.00
Accounts payable — merchandise, less discounts			383,582.28
Accounts payable — expenses, taxes, etc			598,775.51
Customers' deposits on layaway sales and credits			125,011.21
Mortgages payable, 4% — current installments			7,672.43
Reserve for Federal taxes on income	$ 545,975.13		
Less: United States Government securities — at cost, plus accrued interest — per contra	545,975.13		——
TOTAL CURRENT LIABILITIES			1,382,041.43
NOTES PAYABLE — The Prudential Insurance Company of America, less current installments shown above — Note A			2,617,000.00
MORTGAGES PAYABLE, 4% — less current installments shown above (collateralized by real estate — per contra):			
Mortgage payable through September 1, 1964	63,784.09		
Mortgage payable through January 1, 1966	41,556.19		105,340.28
TOTAL LIABILITIES			4,104,381.71
DEFERRED INCOME			215,163.53
CAPITAL STOCK AND SURPLUS:			
Common Stock — par value $1.00 per share:			
	Shares		
Authorized	300,000		
Issued	282,470	$ 282,470.00	
Less: Treasury stock	29,683	29,683.00	
Outstanding	252,787		252,787.00
Surplus — Notes A and B:			
Capital Surplus		789,506.00	
Earned Surplus (since January 1, 1936)		7,374,533.90	8,164,039.90
LONG TERM LEASE AND OTHER COMMITMENTS — NOTES C AND D			
			$12,736,372.14

tatement and should be read in conjunction herewith.

Note B — The Consolidated Earned and Capital Surplus includes undistributed earnings of subsidiaries which may be subject to Federal taxes on income if and when received by the parent company in the form of dividends.

Note C — As at January 31, 1955, the minimum annual rentals on property covered by 104 leases expiring after January 31, 1958 amounted to approximately $1,200,000.00. Certain lease agreements provide for additional rentals based upon sales or for payment of real estate taxes, insurance, etc. In addition, one lease agreement provides for rentals exclusively on the basis of sales.

Note D — On February 18, 1955 a wholly-owned subsidiary entered into a contingent contract for the purchase of real estate in 1956 or 1957, depending upon the occurrence of certain events, at a price of $1,030,000.00. The subsidiary has deposited with an escrow agent United States Government securities with a face value of $115,000.00 as a performance bond.

General — The accompanying financial statements are subject to final determination of Federal, state and local taxes.

MANGEL STORES CORPORATION

AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SURPLUS FOR THE YEAR ENDED JANUARY 31, 1955

CAPITAL SURPLUS — Notes A and B:		
Balance as at January 31, 1954 and January 31, 1955 (no change during the year)		$ 789,506.00
EARNED SURPLUS (since January 1, 1936) — Notes A and B:		
Balance as at January 31, 1954		$6,808,427.88
Net income		890,214.77
		7,698,642.65
DEDUCT:		
Dividends paid on Common Stock — $1.25 per share	$ 316,108.75	
Excess of cost over par value of 500 shares of Common Stock purchased and held in treasury	8,000.00	324,108.75
Balance as at January 31, 1955		$7,374,533.90

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED JANUARY 31, 1955

Net sales, including leased departments' sales	$27,564,670.02
Cost of sales, and general, administrative and selling expenses (exclusive of depreciation), less service charge on budget accounts	25,628,881.02
	1,935,789.00
Provision for depreciation	660,739.47
	1,275,049.53
Other income — net	83,165.24
Net income before Federal income taxes	1,358,214.77
Provision for Federal income taxes	468,000.00
Net income	$ 890,214.77

The Notes to Accounts are an integral part of these statements and should be read in conjunction herewith.

ACCOUNTANTS' REPORT

To the Board of Directors
Mangel Stores Corporation
New York, N. Y.

We have examined the consolidated balance sheet of Mangel Stores Corporation and subsidiaries as at January 31, 1955 and the related consolidated statements of income and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of income and surplus, together with the notes to accounts, present fairly the consolidated financial position of Mangel Stores Corporation and subsidiaries at January 31, 1955, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

S. D. Leidesdorf & Co.

New York, N. Y.
March 23, 1955